



United States  
Department of  
Agriculture

Food and  
Nutrition  
Service

Mountain  
Plains  
Region

1244 Speer Boulevard  
Denver, CO 80204

MAR 11 1992

Reply to  
Attn. of:

CACFP-287

Subject:

Funding for Expansion to Low-Income or Rural Areas in the Child and Adult Care Food Program (CACFP)

To:

STATE AGENCY DIRECTORS  
(Special Nutrition Programs)

- Colorado DH, Iowa, Kansas, Missouri DH,  
Montana DHES, Nebraska ED, North Dakota,  
South Dakota, Utah and Wyoming ED

As you recall, on September 23, 1991 we issued memorandum number CACFP-257 implementing the Public Law 101-147 provisions which govern the availability of administrative payments to CACFP sponsoring organizations wishing to expand into rural and low-income areas. That memorandum was issued because clearance of the proposed Regulation developed to implement this expansion fund provision has taken considerably longer than expected. Since the memorandum was issued, several requests for clarification on the provision of the expansion funds have been received. Below is a summary of the information provided in response to those requests.

#### **ALLOWABLE/UNALLOWABLE COSTS**

Some costs allowed under the demonstration project are not allowed under the expansion provision. In particular, revolving loan programs to obtain licensing were allowed under the demonstration project but are not allowable under the expansion fund provisions. All expansion fund costs must be "allowable costs" both in the sense that they are permitted under the OMB Circulars and are considered to be CACFP sponsor administrative costs.

#### **ELIGIBILITY/APPROVAL**

Approval Time Frames. As with start-up payments, any sponsoring organization applying for expansion funds must be notified of approval or disapproval by the State Agency in writing within 30 calendar days of filing a complete and correct application. If a sponsoring organization submits an incomplete application, the State Agency must notify the sponsoring organization within 15 calendar days of receipt of the application and must provide the technical assistance necessary for the sponsoring organization to complete its application correctly.

Sponsor Size. Our earlier memorandum stated that "...we are limiting the availability of expansion funds to participating sponsoring organizations of family day care homes [1] which have already used start-up funds or, [2] because they have more than 50 homes, are no longer eligible for start-up funds." The basis for the 50 home "limit" on start-up funds is tied to a belief that 50 homes is a threshold beyond which sponsors can be considered more stable and potentially more successful. However, we realize that "50" is not an absolute threshold. Certainly, a sponsor that has operated successfully with 45 homes for several years should be able to be considered the equal of a sponsor of 50 or 55 homes. Therefore, upon further consideration, we believe that sponsors with less than 50 homes can qualify for funds (at the discretion of the State) if they have shown through their administration of their existing homes that they can responsibly administer an expansion effort. Of course, sponsors in this category that have not received start-up funds may want to consider that option first. However, a sponsor with 45 homes will most likely find that the amount of start-up funds available at that level is too small to be of much use.

Competing Sponsors. States may approve two eligible sponsors to expand into the same area, as long as there is no overlap of homes which the sponsors are targeting. In a case where the same homes are involved, the State must decide between the two sponsors. Our concern is that funds not be approved twice for outreach to the same home. Like start-up funds, the denial of an application for expansion funds is appealable.

Multi-State Sponsors. Multi-State sponsors may be approved for expansion funds. Approval of such sponsors is done in accordance with all conditions applicable to their ongoing participation in the CACFP, as well as those established for the use of expansion funds. Further, these sponsors may be approved to receive expansion funds in each state in which they operate.

Definition of Area. It is the responsibility of the State Agency to define "unserved area." In general, however, we believe that an "unserved area" is one in which family day care homes may wish to participate but cannot because of the lack of a sponsoring organization in their area to sponsor them.

Determination of Area Eligibility. Our earlier memorandum states that there are two methods that may be used to determine whether an area is one in which poor economic conditions exist -- school data and census tract data. We believe that whenever possible, sponsors should be required to use school data. The preference is particularly meaningful now given that census data currently available is more than 10 years old. Even when the recently collected census data is made available, we would recommend that every effort be made to use school data first and allow the use of census tract data only where the use of school data is not practical. As in the Summer Food Service Program, when census data is used, the Income Eligibility Guidelines against which it is to be compared are those in effect for the current year.

Unlicensed Homes. There is no prohibition against using expansion funds for outreach to unlicensed homes. However, we believe that this may not be the best use for these funds. Most unlicensed homes are unlicensed because they lack the funds to make the modifications necessary to receive licensing and/or they lack the funds to pay for the license and the attendant inspections. Further, many of these homes remain unlicensed to avoid having to deal with the various agencies of government involved in the licensing process. Therefore, plans for outreach to unlicensed homes should be reviewed with these things in mind and only approved if the sponsor provides a plan which adequately addresses them.

#### **FUNDING**

Additional Applications. At this time, the availability of expansion funding as established in our September 23 memorandum is on a "one-time" basis. This is based on the assumption that implementing Regulations will be promulgated before sponsors have an opportunity to apply for expansion funds a second time.

State Limitations. The expansion money was available as of November 1, 1991 and is being distributed through State Agencies in the same way that start-up funds are distributed. Like start-up, no special appropriations were made for expansion funds and the expansion funds are part of the general CACFP entitlement funds and are available as necessary.

Payment Amounts. Expansion fund payments are to be made on the basis of \$63 per home irrespective of the number of homes already administered by the sponsor.

Minimum Payments. The September 23 memorandum states that sponsoring organizations applying for expansion funds are entitled to an amount not less than one month times the number of expansion homes (up to 50) times \$63 per home. It is our understanding that when the Congress initially established this formula for start-up funds, its intent in providing for a minimum amount was to ensure that sponsors would receive enough to adequately fund an initiation of Program activities. This minimum is not, however, to be taken as an absolute requirement. While sponsors are entitled to such an amount, it is not required that they apply for the whole amount. Expansion fund proposals and approvals are to be based on legitimate needs detailed in the sponsor's plan and not on any arbitrary funding level.

Actual Payments. In order to get expansion funds, eligible sponsoring organizations must submit to the State Agency an acceptable and realistic plan for recruiting day care homes to participate in the Program, including activities which the sponsoring organizations will undertake. If the terms of the expansion fund agreement are met, the sponsor may utilize the funds for Program purposes even if the number of homes added is less than the number targeted in the plan. Also, at State option, no action need be taken if the number of homes added equals the number predicted, even though the methods used to add the homes are not those in the plan. In this regard, however, the sponsor's plan should be viewed as a "living document" and when the sponsor is considering changes in its proposed activity, it should inform the State Agency and get its concurrence in making such changes.

Plan Time Frames. Eligible sponsoring organizations must also submit to the State Agency an indication of time necessary for the expansion of Program operations. We believe that one year should generally be sufficient for the activities outlined in the plan to be completed. While we are not requiring a 1-year deadline to be imposed, we believe that outreach efforts have a much better chance of success if they are undertaken soon after plan approval and carried out as quickly as possible. Plan implementation which is delayed may be difficult to manage and control.

#### REPORTING

Our Financial Management Section is aware of this new source of funding. The FNS 269, which is used to report start-up funds, has been revised to include reporting on expansion funds as well. The revised form is available for use.

If you have further questions with regard to expansion funding, please contact my staff at (303) 844-0359.

*Ann C. Hector*

ANN C. HECTOR  
Regional Director  
Special Nutrition Programs